

SENATE BILL NO. 248

INTRODUCED BY E. STONINGTON

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A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE BOARD OF OIL AND GAS CONSERVATION TO REQUIRE OIL AND GAS OPERATIONS TO FURNISH REASONABLE SECURITY TO PAY FOR RESTORING THE CONDITION OF THE SURFACE OWNER'S LAND AND COMPENSATION OF THE SURFACE OWNER FOR DAMAGES; REQUIRING THAT THE SECURITY BE AT LEAST \$10,000 FOR EACH COAL BED METHANE WELL; DEFINING "REASONABLE SECURITY"; AND AMENDING SECTIONS 82-11-123 AND 82-11-163, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 82-11-123, MCA, is amended to read:

**"82-11-123. Requirements for oil and gas operations.** Subject to the administrative control of the department under 2-15-121, the board shall require:

- (1) identification of ownership of oil or gas wells, producing properties, and tanks;
- (2) the making and filing of acceptable well logs, including bottom-hole temperatures (in order to facilitate the discovery of potential geothermal energy sources), the making and filing of reports on well locations, and the filing of directional surveys, geological sample logs, mud logs, core descriptions, and ordinary core analysis, if made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;
- (3) the drilling, casing, producing, and plugging of wells and class II injection wells in a manner that prevents the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;
- (4) the restoration of surface lands to their previous grade and productive capability after a well is plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological effects from the well or hole, unless the surface owner agrees in writing, with the approval of the board or its representatives, to a different plan of restoration;
- (5) the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of

1 the duty to properly plug each dry or abandoned well. The bond may be forfeited in its entirety by the board for  
 2 failure to perform the duty to properly plug each dry or abandoned well and may not be canceled or absolved  
 3 if the well fails to produce oil or gas in commercial quantities, until:

4 (a) the board determines the well is properly plugged and abandoned as provided in the board's rules;  
 5 or

6 (b) the requirements of 82-11-163 are met.

7 (6) when the applicant for a drilling permit is not the surface owner of the land, the furnishing of  
 8 reasonable security conditioned upon performance of the duty to restore the condition of the surface owner's  
 9 land as nearly as possible to its condition prior to oil or gas operations and to compensate the surface owner  
 10 for damages, as provided in Title 82, chapter 10, part 5. The security must be in an amount that is sufficient to  
 11 restore the condition of the surface owner's land as nearly as possible to its condition before oil or gas operations  
 12 and to compensate the surface owner for damages. The security must be in an amount of at least \$10,000 for  
 13 each coal bed methane well. As used in this subsection, "reasonable security" means a surety bond, letter of  
 14 credit from a banking institution, cash, or a certificate of deposit in a form that is readily payable to the surface  
 15 owner.

16 ~~(6)(7)~~ proper gauging or other measuring of oil and gas produced and saved to determine the quantity  
 17 and quality of oil and gas;

18 ~~(7)(8)~~ that every person who produces, transports, or stores oil or gas or injects or disposes of water  
 19 in this state shall make available within this state for a period of 5 years complete and accurate records of the  
 20 quantities. The records must be available for examination by the board or its employees at all reasonable times.  
 21 The person shall file with the board reports as it may prescribe with respect to quantities, transportations, and  
 22 storages of the oil, gas, or water.

23 ~~(8)(9)~~ the installation, use, and maintenance of monitoring equipment or methods in the operation of  
 24 class II injection wells."

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26 **Section 2.** Section 82-11-163, MCA, is amended to read:

27 **"82-11-163. Landowner's bond on noncommercial well.** If the owner of the surface land upon which  
 28 has been drilled a well that fails to produce oil or gas in commercial quantities acquires the well for domestic  
 29 purposes, the board may cancel and absolve the bond required ~~in~~ for plugging a well pursuant to 82-11-123  
 30 upon its acceptance of surety in the form of a certificate of deposit or a surety bond in the amount of \$5,000 for

1 a single well or in the amount of \$10,000 for more than one well or in the form of a property bond of two times  
2 the value of the required certificate of deposit or surety bond. The release of the certificate of deposit, surety  
3 bond, or property bond must be conditioned on proof provided by the landowner that the well has been properly  
4 plugged."

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